

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

National Dairy Products Corporation

NEW YORK

ANNUAL REPORT

1933

BOARDS

9334.161
DN1892

MRB
CORP. FILE

National Dairy Products Corporation

OFFICERS

THOS. H. McINNERNEY	<i>President</i>
FREDERICK J. BRIDGES	<i>Vice-President</i>
VERNON F. HOVEY	<i>Vice-President</i>
WILBUR S. SCOTT	<i>Vice-President</i>
C. HENDERSON SUPPLEE	<i>Vice-President</i>
L. A. VAN BOMEL	<i>Vice-President</i>
A. A. STICKLER	<i>Treasurer</i>
THOS. K. CARNES	<i>Secretary</i>
A. BOAG, JR.	<i>Comptroller and Assistant Treasurer</i>
G. W. MCGHEE	<i>Assistant Secretary</i>
E. J. FINNERAN	<i>Sales Manager</i>

EXECUTIVE COMMITTEE

THOS. H. McINNERNEY

VERNON F. HOVEY
WILBUR S. SCOTT

C. HENDERSON SUPPLEE
L. A. VAN BOMEL

TRANSFER AGENT

BANKERS TRUST COMPANY
New York, N. Y.

REGISTRAR

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
New York, N. Y.

COUNSEL

SULLIVAN & CROMWELL

AUDITORS

PRICE, WATERHOUSE & CO.

EXECUTIVE OFFICES

120 Broadway, New York, N. Y.

National Dairy Products Corporation

DIRECTORS

- F. J. ANDRE
President, The Telling-Belle Vernon Company, Cleveland
- HENRY N. BRAUNER, JR.
President, Chestnut Farms-Chevy Chase Dairy Company, Washington, D. C.
- HENRY W. BREYER, JR.
Formerly President, Breyer Ice Cream Company, Philadelphia
- FREDERICK J. BRIDGES
President, Hydrox Corporation, Chicago
- N. J. DESSERT
Vice-President, Detroit Creamery Company, Detroit
- ALFRED A. DUBAN
Formerly Vice-President, Supplee-Wills-Jones Milk Company, Philadelphia
- C. WESLEY EBLING
President, Detroit Creamery Company, Detroit
- JOSEPH GILFILLAN
Attorney, Philadelphia
- ROBERT S. GORDON
Attorney, New York
- B. S. HALSEY
Vice-President, Sheffield Farms Company, Inc., New York
- J. M. HARDING
President, Harding Cream Company, Omaha
- VERNON F. HOVEY
President, General Ice Cream Corporation, Schenectady
- JOS. L. JONES
Treasurer, Supplee-Wills-Jones Milk Company, Philadelphia
- J. L. KRAFT
President, Kraft-Phenix Cheese Corporation, Chicago
- B. M. LIDE, JR.
President, St. Louis Dairy Company, St. Louis
- WILLIAM F. LUICK
President, Luick Ice Cream Company, Milwaukee
- E. J. MATHER
President, Southern Dairies, Inc., Washington, D. C.
- THOS. H. MCINNERNEY
President
- JOSEPH POTTS
Manager, Supplee-Wills-Jones Milk Company, Philadelphia
- EDWARD E. RIECK
Chairman of Board, Rieck-McJunkin Dairy Company, Pittsburgh
- WILBUR S. SCOTT
President, Breyer Ice Cream Company, Philadelphia
- A. A. STICKLER
Treasurer
- C. HENDERSON SUPPLEE
President, Supplee-Wills-Jones Milk Company, Philadelphia
- HORACE S. TUTHILL
Vice-President, Sheffield Farms Company, Inc., New York
- L. A. VAN BOMEL
President, Sheffield Farms Company, Inc., New York
- SIDNEY J. WEINBERG
Banker, New York
- H. BURTON WILKERSON
President, Nashville Pure Milk Company, Nashville
- FRANK A. WILLS
Vice-President, Supplee-Wills-Jones Milk Company, Philadelphia
- HENRY N. WOOLMAN
Secretary, Supplee-Wills-Jones Milk Company, Philadelphia

Each company named above is an operating company of
National Dairy Products Corporation

National Dairy Products Corporation

NEW YORK, N. Y., March 22, 1934.

TO THE STOCKHOLDERS:

There is submitted herewith the annual report of National Dairy Products Corporation for the year ending December 31, 1933. Messrs. Price, Waterhouse & Co. have made their usual examination of the books and accounts of the Corporation and its subsidiary companies and their certificate is appended.

The net profits for the year after interest, depreciation and all State and Federal taxes amounted to \$7,051,872.05, and, after allowing for payment of preferred dividends, were equivalent to \$1.01 per share on the 6,263,165 shares of Common Stock outstanding at the end of the year as compared with \$1.88 per share reported for the previous year. Discount amounting to \$453,883.75 resulting from the purchase during the year of our 5¼% Gold Debentures has not been included in income but has been credited directly to earned surplus, whereas, in 1932, a corresponding discount of \$300,038.75 was included in the income account.

Net sales, excluding inter-company sales, for the year 1933 amounted to \$231,196,979.72 as compared with \$252,654,452.17 in 1932, a decrease of approximately 8%, of which a considerable portion was due to lower commodity prices. During the past year the industry has continued to be affected by the problem of over-production aggravated by under-consumption.

During the first nine months of the year, your Corporation more than earned its dividend requirements for the year. However, the last quarter as usual was a poor quarter from the standpoint of profits. In addition, at the end of December butter and cheese were at the lowest price in the last twenty-five years, resulting in an inventory book loss which was charged against profits. The foregoing, together with year-end adjustments, brought the net profits for the full year down to the figure above mentioned. It may be added that the price of butter and cheese has substantially increased during the first two months of 1934 and it is anticipated that the inventory write-off will be recovered as the inventory is sold.

During the past year we paid our farmer producers, due to agricultural marketing conditions, a larger share of the consumer dollar. At the same time, certain operating expenses increased by reason of the requirements of the National Recovery Program. Your Corporation, however, offset a portion of this added expense by reducing, in the aggregate, overhead and administrative expenses not only in dollars but also in per cent. of sales.

Your Corporation has extended its efforts to increase the consumption of dairy products by advertising, sales promotion and research. Two of the outstanding advertising achievements of the year were the promotion of National Cheese Week by the Kraft organization which caused a large increase in the consumption of cheese, and the introduction to the public of a new Kraft product, Miracle Whip Salad Dressing, which has attained a remarkable success. A feature of advertising for 1934 will be a national campaign in connection with the ice cream manufactured by our companies, which has recently been awarded the Seal of Approval of the Good Housekeeping Institute. Ice cream made by our companies is the only ice cream which has received this award.

The attached balance sheet reflects your Corporation's continued strong financial position. The cash item, which does not include funds in closed banks, is after purchasing \$3,804,000 principal amount of 5¼% Gold Debentures, retiring \$829,500 of preferred stocks and other funded debt, and deducting \$2,053,438.45 for dividends paid on January 2, 1934. The debentures purchased in 1933 together with the excess of debentures purchased in 1932 were sufficient to cover sinking fund requirements for not only 1933 but practically all of 1934. At the time of the banking holiday, \$1,298,063.33 was tied up in closed banks; cash collections have reduced this amount to \$825,018.21. In addition, we have also received \$213,837.15 in the form of certificates of deposit and bank stocks from banks reopened, leaving a net balance of \$611,181.06 impounded, against which we have provided a reserve of \$289,974.11, which we believe is ample. The net amount is included in accounts receivable on the balance sheet.

During the year surveys were made of the plant and equipment of our companies and, as a result, your Board of Directors has made certain reductions of book values which appeared warranted. Effect has been given to these reductions as of the close of the year, and the consequent adjustments to surplus are shown in the statements attached. The charge for depreciation for the year has not been reduced by reason of this reduction of values. There have been no changes in your Corporation's rates for depreciation or in its policy of maintaining properties in excellent physical condition at all times. The decrease in depreciation as compared with the preceding year is due to normal property retirements which have been in excess of additions; the decline in repair and maintenance expense resulted from the cumulative effect of our policy in past years of rehabilitating properties of businesses when acquired and also from some curtailment of business. We have followed a conservative policy of providing additional reserves out of profits to cover doubtful accounts and other contingencies.

In 1933 we lost, through death, the valued services of directors Harold M. Lehman and Charles R. Bowman. Mr. Lehman was a director since the formation of your Corporation. Mr. Bowman, in addition to having been a director of your Corporation, was President of our affiliate, Western Maryland Dairy Corporation of Baltimore, Maryland. Their experience and sound business judgment will be greatly missed.

The Board of Directors again takes this opportunity to thank the 32,000 employees and executives of National Dairy's affiliated companies for their loyalty and efficient work during the past year.

By order of the Board of Directors,

THOS. H. McINNERNEY
President

TO THE BOARD OF DIRECTORS OF
NATIONAL DAIRY PRODUCTS CORPORATION.

We have made an examination of the consolidated balance sheet of National Dairy Products Corporation and its subsidiary companies as at December 31, 1933 and of the consolidated statements of income and surplus for the year 1933. In connection therewith we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and surplus fairly present, in accordance with accepted principles of accounting consistently followed by the companies during the year under review, the combined position of National Dairy Products Corporation and its subsidiary companies as at December 31, 1933, and the combined results of their operations for the year.

PRICE, WATERHOUSE & CO.

56 Pine St.,
New York,
March 12, 1934.

National Dairy Pro

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

Assets	
Current and Working Assets:	
Cash in banks and on hand.....	\$ 22,468,421.28
Marketable securities at cost, less reserve for market depreciation	115,261.75
Notes receivable.....	\$ 1,499,372.87
Accounts receivable.....	17,650,908.00
	<u>\$19,150,280.87</u>
Less—Reserve for doubtful notes and accounts	3,148,656.98
	16,001,623.89
Inventories at cost or market, whichever is lower.....	14,975,576.07
Miscellaneous supplies.....	2,643,330.84
Cash surrender value of life insurance.....	204,475.50
	<u>\$ 56,408,689.33</u>
Investments and Advances:	
Company's common stock—8,756 shares at cost.....	\$ 202,662.11
Investments in partly owned companies and miscellaneous securities	2,585,708.25
Advances	1,700,603.01
Loans to employees, less reserve.....	1,715,111.06
	<u>6,204,084.43</u>
Capital Assets:	
Land, buildings, machinery and equipment on basis of cost or sound values as appraised with additions at cost.....	\$164,321,985.71
Less—Reserves for depreciation.....	54,100,042.80
	<u>110,221,942.91</u>
Deferred Charges:	
Prepaid taxes, insurance, interest, etc.....	\$ 612,873.03
Sundry expenses including advertising.....	774,674.96
	<u>1,387,547.99</u>
Goodwill Purchased.....	22,391,853.64
	<u><u>\$196,614,118.30</u></u>

Products Corporation

RY COMPANIES

DECEMBER 31, 1933

Liabilities

Current Liabilities:

Accounts payable including sundry accruals.....	\$ 15,416,112.36	
Subsidiary companies' funded and mortgage debt due in 1934..	608,225.14	
Reserve for Federal income and capital stock taxes.....	1,022,602.16	
		\$ 17,046,939.66
Reserves for Contingencies.....		932,199.87

National Dairy Products Corporation 5¼% Gold Debentures due 1948:

Issued	\$ 82,040,500.00	
Less—Retired	\$10,046,000.00	
Held in treasury.....	2,371,000.00	12,417,000.00
		69,623,500.00

Minority Stockholders' Interest in Capital and Surplus of Subsidiary Companies:

Southern Dairies, Inc. and its subsidiaries:		
Preferred stock.....	\$ 639,500.00	
Common stocks.....	722,005.58	\$ 1,361,505.58
Other subsidiary companies:		
Preferred stock.....	\$ 546,694.84	
Common stocks.....	129,502.17	676,197.01
		2,037,702.59

Capital Stock and Capital Surplus:

Preferred stock Class A 7% cumulative:		
Authorized—69,244 shares of \$100 each		
Issued less retired—57,339 shares.....	\$ 5,733,900.00	
Preferred stock Class B 7% cumulative:		
Authorized—50,000 shares of \$100 each		
Issued less retired—43,870 shares.....	4,387,000.00	
Common stock and capital surplus:		
Common stock—		
Authorized—7,000,000 shares without par value		
Issued—6,263,165 shares at stated value.....	51,331,710.00	
Capital Surplus, per statement attached.....	8,891,401.53	
		70,344,011.53
Earned Surplus, per statement attached.....		36,629,764.65
		\$196,614,118.30

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the Year Ending December 31, 1933

Net sales (excluding inter-company sales)..... \$231,196,979.72

Deduct:

Cost of sales, delivery, selling, administrative and general expenses	\$203,620,294.68	
Repairs and maintenance.....	7,599,673.35	
Depreciation	8,918,604.38	
		220,138,572.41
		\$ 11,058,407.31

Other income:

Purchase discounts.....	\$	386,690.69	
Dividends and interest received.....		401,246.72	
Rents and royalties.....		201,482.33	
Miscellaneous other income.....		363,693.78	
			1,353,113.52
			\$ 12,411,520.83

Deduct:

Interest on funded debt of National Dairy Products Corporation	\$	3,764,010.14	
Other interest.....		132,940.14	
Dividends on preferred stocks of subsidiary companies held by the public.....		175,063.34	
Federal capital stock tax.....		385,000.00	
			4,457,013.62

Profit before provision for Federal income tax.....	\$	7,954,507.21	
Provision for Federal income tax.....		902,635.16	
Net profit for the year.....	\$	7,051,872.05	

Note: The net profit, after deducting dividends of \$717,339.38 on the parent company's preferred stocks, was equivalent to \$1.01 per share on 6,263,165 shares common stock outstanding.

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the Year Ending December 31, 1933

Earned surplus at December 31, 1932, per published report for that year.....	\$39,070,178.78
 Add—Net profit for 1933, per statement attached.....	 7,051,872.05
	\$46,122,050.83
 Deduct:	
Losses on property sold or scrapped and reduction of book values of certain property and equipment.....	\$1,432,502.89
Loss on liquidation of Cuban subsidiaries.....	291,078.61
	\$1,723,581.50
Less—Discount on redemption of funded debt.....	453,922.50
	1,269,659.00
	\$44,852,391.83
 Deduct—Dividends paid:	
On preferred stocks at \$7.00 per share.....	\$ 717,339.38
 On common stock:	
April 1, 1933—30¢ per share.....	\$1,876,319.70
July 1, 1933—30¢ per share.....	1,876,322.70
October 2, 1933—30¢ per share.....	1,876,322.70
January 2, 1934—30¢ per share.....	1,876,322.70
	7,505,287.80
	8,222,627.18
Earned surplus at December 31, 1933, per balance sheet.....	\$36,629,764.65

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

For the Year Ending December 31, 1933

Capital surplus at December 31, 1932, per published report for that year..... \$14,852,338.57

Add:

Discount on preferred stock of National Dairy Products Corporation purchased and retired.....	21,210.00
	\$14,873,548.57

Deduct:

Goodwill purchased written off.....	\$ 334,319.71
Organization expenses incurred during the year (principally initial state qualification fee).....	158,249.97
Reduction of book values of property and equipment of certain subsidiary companies as at dates of acquisition....	5,358,349.37
Other adjustments of subsidiary companies net assets as of dates of acquisition.....	127,826.73
Premium on preferred stock of subsidiary company purchased and retired.....	3,401.26
	5,982,147.04

Capital surplus at December 31, 1933, per balance sheet.....	\$ 8,891,401.53

MILK PRICES

In view of the public discussion as to the price the farmer receives for milk, the following explanation of the usual basis upon which your milk companies purchase their milk supply should be of interest to you as stockholders.

There are two general classes of milk from the standpoint of utilization—milk sold in bottles and milk that has to be manufactured into butter, cheese, milk powder and other products. Since more milk is produced on the farm than can be sold in bottles, a substantial part of the milk produced by each dairy farmer must be used for manufactured products.

The price the farmer receives for milk sold in bottles is determined by farmers' organizations or by governmental authority; for such milk the farmers receive the highest price. For milk that has to be manufactured into butter, cheese, milk powder and other products, the farmer receives lower prices which are determined by the nation-wide selling prices of these products. The nation-wide price for these manufactured products is determined entirely by supply and demand because they can be readily shipped from one section of the country to another. Since some part of every farmer's milk must be used to make manufactured products, the average price per quart received by the farmer is determined by dividing his total cash return by the total number of quarts of milk he sells.

There is no true comparison between this average price the farmer receives for all of his milk and the price the distributor receives for a quart of bottled milk. The farmer's average price can be compared only with the average price the distributor receives for all the milk he sells, both in bottles and in the form of manufactured products.

Since the farmer receives his highest price for milk sold in bottled form, the more bottled milk our companies can sell, the higher the average price the farmer will receive. We are proud of the record we have made in developing for our farmers and ourselves the largest possible sale of bottled milk. Through progressive merchandising of bottled milk we have rendered a real health service to the consuming public and have done a creditable job of real benefit to our farmers. In all our relations with consumers and farmers we have been completely fair.

